

May 1, 2000

The Honorable Philip E. Hoffman, Chair
Senate Appropriations Subcommittee
on Transportation
P. O. Box 30036
Lansing, Michigan 48909 7536

The Honorable Judith Scranton, Chair
House Appropriations Subcommittee
on Transportation
P. O. Box 30014
Lansing, Michigan 48909 7514

Dear Senator Hoffman and Representative Scranton:

This report, on the status of all outstanding loans issues under the rail infrastructure loan program, is required by Section 710 (2) of Public Act 136 of 1999. The status of all loan contracts issued under this program as of April 15, 2000, is listed on the enclosed chart.

The rail infrastructure loan program was established under Section 710 of Public Act 341 of 1996 to help finance capital improvements on Michigan's rail infrastructure. This program, now known as the Michigan Rail Loan Assistance Program (MiRLAP), was designed to help preserve and improve rail freight service by lending funds to eligible applicants interest free. The program began with an appropriation of \$3 million, which was allocated in the Department's appropriations act for fiscal year 1997. The Act gave some general guidance for the Department to follow in establishing the rail infrastructure loan program, e.g., the transportation commission shall approve the loans, the loans shall fund not less than 90 percent of the rail portion of project costs, the loan repayment period shall not exceed ten years, and the state's total contribution to the loan program shall not exceed \$15 million. Money received by the state as repayment for rail infrastructure loans remains in the program to be allocated for the purposes of the program. This is structured as a "revolving" loan fund so that loans can continue to be made for rail infrastructure improvements in perpetuity.

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When application materials for the program's third call for projects were mailed in December 1998, potential applicants were asked why the program wasn't being fully utilized. The response indicated that the industry has issues with personal guarantees and collateral. As such, the industry and the Department worked to negotiate a solution. These changes are incorporated into our program materials for fiscal year 2000. For fiscal year 2000, thirteen project proposals were received; however, eight of these have been set aside due to outstanding issues related to using project materials for collateral. The remaining five projects were recommended for funding, and all five were approved at the State Transportation Commission (STC) meeting held in March. Currently, these five projects are in the process of being placed under contract. As such, after obligating a total of \$2,665,500 in loan funds for the five projects approved for funding by the STC, the MiRLAP account balance will be \$6,136,623.10. If the collateral issue is resolved for the eight projects on hold and these projects are approved by the STC, the MiRLAP account balance would be \$3,083,823.10.

Sincerely,

James R. DeSana
Director

UPT:FS&S:PK:SB:ber
Enclosure

cc: Members of the Subcommittees
Craig Thiel, Senate Fiscal Agency
Bill Hamilton, House Fiscal Agency
Greg Rosine
Theresa Horsfall
Philip Kazmierski

STATUS OF OUTSTANDING RAIL INFRASTRUCTURE LOANS

This chart reflects the status of all Rail Infrastructure Loan agreements executed as of April 15, 2000

Project	Status	Execution Date	Loan Amount	Paid Back To Date	First Payment
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1997

Luce County Economic Development Corporation (1997-0585) - Installation of second switch at west end of existing spur track at Dollarville.	Work Completed August 1998 (Loan partly repaid)	09/15/97	\$62,896	\$12,579	06/30/99
Huron & Eastern Railway (1997-0586) - Track rehabilitation from Akron - Unionville.	Application withdrawn - Contract termination in process.	06/08/98	\$747,121	\$0	N/A
Central Michigan Railway Company (1997-0588) - Repair decking on Saginaw River Bridge, repair Flint River Bridge pilings, and refender Bay City Swing Bridge.	Work Completed February 2000 (Loan partly repaid)	09/15/97	\$1,000,000	\$16,345	03/31/00

1998

Indiana & Ohio Railway (1998-0629) - Build a connecting track and interchange storage track at Diann.	Work Completed May 1999 Loan repaid	09/15/98	\$271,776	\$271,776	12/31/99
Lake State Railway Company (1998-0632) - Repair swing span bridge over the Saginaw River.	Work Completed January 1999 (Loan partly repaid)	09/15/98	\$450,000	\$33,750	09/30/99

1999

Norfolk Southern Corporation (1999-0317) - Install additional track at transload facility at Willis.	Contract Amendment in process to change scope and decrease amount	09/13/99	\$700,534	\$0	N/A
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Middleton Investment Group (2000-0010) - Track reconstruction from Ashley to Middleton.	Work Completed February 2000	11/03/99	\$500,000	\$0	06/30/00
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